

Message Text

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42

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-01

INR-05 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-15 USIA-06 OPIC-03 XMB-02 IGA-01 FEA-01 AEC-05

AID-05 CEA-01 CIEP-01 COME-00 EB-07 FPC-01 INT-05

OMB-01 SAM-01 OES-03 STR-01 TRSE-00 FRB-01 /104 W

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R 221212Z DEC 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 1791

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

USMISSION OECD PARIS

USMISSION EC BRUSSELS

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BEIRUT PASS BAGHDAD

E.O. 11652: N/A

TAGS: ENRG KU

SUBJECT ATEEQI DEFENDS SIXTY PERCENT PARTICIPATION

REF: KUWAIT 5428

BEGIN UNCLASSIFIED

1. MINISTER FINANCE AND OIL ATEEQI HAS AGAIN PUBLICLY DEFENDED

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60 PERCENT KOC PARTICIPATION ARRANGEMENT. THIS CLOSELY FOLLOWED

SIMILAR REMARKS MADE FEW DAYS AGO. (REFTEL). AT KOC AWARDS CEREMONY DECEMBER 21, ATEEQI REFERRED TO GULF/BP'S 40 PERCENT OWNERSHIP OF KOC AS NOMINAL AND DISCOUNTED ITS IMPORTANCE. CONTRASTING WHAT HE DESCRIBED AS THE TWO COMPANIES PREVIOUS STATUS AS PARTNERS, HE WAS REPORTED BY DAILY NEWS DECEMBER 22 AS SAYING "QUOTE ONLY TWO DAYS AGO THEY BECAME OUR CUSTOMERS ENJOYING MOST FAVORED TREATMENT IN RESPECT TO OTHER CUSTOMERS BY VIRTUE OF THE FRIENDLY AND BUSINESSLIKE RELATIONS EXISTING BETWEEN US. THE NEW CUSTOMERS ARE.....LIKE ANY OTHER CUSTOMER AND GET A PRIORITY TREATMENT NOT EXCEEDING 30 CENTS PER BARREL. THE OWNERSHIP OF THEMQR PERCENT SHARE HAS NOW BECOME NOT SO IMPORTANT, BECAUSE WE PRACTICALLY OWN THE WHOLE COMPANY." END UNCLASSIFIED

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2. COMMENT: ATEEQI IS ESSENTIALLY CORRECT IN ASSERTING THAT, WITH 60 PERCENT OWNERSHIP AND UNDER CURRENT OPEC GUIDELINES, GOK EFFECTIVELY CONTROLS PRODUCTION AND PRICING POLICY AS WELL AS OTHER SIGNIFICANT PETROLEUM POLICIES IN KUWAIT. STILL, VIGOROUS DEFENSE HE MAKING OF PRESENT ARRANGEMENTS IS INTRIGUING. IT CERTAINLY BEARS OUT OUR ASSESSMENT EARLY THIS FALL THAT GOK WANTS RETAIN SOME "BUILT-IN" RELATIONSHIP WITH GULF AND BP AND NOT INTERESTED IN 100 PERCENT OWNERSHIP OF KOC IF IT MEANS DESTROYING SUCH RELATIONSHIP (DESPITE ASSUMPTION OF MOST OUTSIDERS THAT KUWAITIS DEMANDING NATIONALIZATION). WE CONTINUE BELIEVE ODDS ARE THAT PRESSURE FOR 100 PERCENT PARTICIPATION AGREEMENT, ESPECIALLY FROM NATIONAL ASSEMBLY, WILL EVENTUALLLY BE IRRESISTABLE; BUT GOVERNMENT SEEMS WILLING, EVEN DETERMINED, TO TRY TO BLUNT THESE PRESSURES. OF COURSE, KEY ISSUES WILL REMAIN PREFERENTIAL ACCESS TO CRUDE FOR GULF AND BP AND ACTUAL FINANCIAL ARRANGEMENTS, WHATEVER NOMINAL OWNERSHIP OF GOK OR COMPANIES MAY BE. STOLTZFUS

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